

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 90-457-C - ORDER NO. 90-1206  
DECEMBER 27, 1990

IN RE: Petition of Williston Telephone Company, ) ORDER  
Inc. for an Increase in its Authorized ) INCREASING  
Rate of Return ) AUTHORIZED  
 ) RATE OF RETURN

On July 25, 1990, Williston Telephone Company, Inc. (the Company) filed a Petition with the Public Service Commission of South Carolina (the Commission) requesting an increase in its authorized rate of return on rate base. The Company is not seeking any changes in its basic rates and charges. The Petition was filed pursuant to R.103-830 et. seq. of the Commission's Rules of Practice and Procedure and S.C. Code Ann., §58-9-10 et. seq. (1976), as amended, and in response to a Commission Staff audit report indicating that the Company's rate of return on rate base, after accounting and pro forma adjustments deemed appropriate by the Staff was 11.57%, based on the twelve (12) months ending December 31, 1988.

By letter dated August 1, 1990, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing in newspapers of general circulation in the effected areas, once a week for two consecutive weeks. The purpose of the Notice of Filing was to inform interested parties of the nature of the

Petition and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Thereafter, the Company provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or Protest was received by the Commission. On November 27, 1990 at 11:00 a.m., a public hearing was commenced in the Commission's Hearing Room, the Honorable Marjorie Amos-Frazier presiding. Robert T. Bockman, Esquire, and Elizabeth A. Holderman, Esquire, represented the Company; H. Clay Carruth, Staff Counsel, represented the Commission Staff.

The Company presented the testimony of James C. Meade, Manager of Regulatory and Industry Relations for Telephone and Data Systems' Southeast Region. Telephone and Data Systems is the parent company of Williston Telephone Company, Inc. Mr. Meade explained certain adjustments to reflect known and measurable changes and explained the need for modification of the rate of return currently authorized for the Company by the Commission. The Commission Staff presented Steve W. Gunter, Utilities Accountant of the Commission Administration Division, to summarize Staff's findings and recommendations.

Witness Meade testified that the Company is requesting the Commission to authorize a return on rate base in the range of 12.5% to 13%. In his opinion, a range including 12.5% to 13% would be a reasonable rate of return on investment for the Company in view of the circumstances. By having a range, witness Meade stated that it would allow for some variation in operating results

from year to year.

The Company's present authorized rate of return on rate base is 8.61%. The Commission found that the local rates requested in the Company's last rate adjustment proceeding in Order No. 85-1108, issued in Docket No. 85-182-C, dated December 20, 1985 was fair and reasonable and would result in a rate of return on rate base of 8.61%.

Mr. Meade was emphatic that the Company was not seeking any changes in its rates in this proceeding. What the Company is requesting is that the Commission adjust the authorized rate of return on rate base from the amount authorized in 1985 to the range of 12.5% to 13% which is consistent with other recent filings made with the Commission.

Witness Meade testified that a comparison of Williston Telephone with the larger telephone companies is not appropriate for several reasons. The major difference given by witness Meade is the difference in the level of risk involved. According to Mr. Meade, an increase in business risk for the smaller telephone companies results from many factors including the proportionately greater dependency on toll and access revenues. The potential impact of the loss of a large customer or customers and the extremely limited geographic dispersion make smaller firms much more subject to local economic fluctuations. Other major business risks faced by small rural telephone companies such as Williston Telephone Company, according to witness Meade are an increasingly competitive environment, major technological advances,

uncertainties of new telephone rate designs, and an obligation to serve.

Staff witness Gunter during his direct testimony made a correction to the Staff's interest synchronization adjustment which reduced the Company's return on rate base to 11.44%. Witness Gunter also testified that subsequent to the issuance of the December 31, 1988 report, Staff conducted a compliance audit covering the test year ending December 31, 1989. The Staff's compliance audit indicates that at that time, the Company was earning 13.86% return on rate base.

Based on the Commission's review of the record and the evidence presented, the Commission makes the followings findings and conclusions:

1. That Williston Telephone Company, Inc. is a South Carolina corporation owning and operating equipment and facilities for the transmission of intelligence for hire in this State and is a telephone utility within the meaning of S.C. Code Ann., §58-9-10 (6), (1976) whose intrastate operations are subject to the jurisdiction of this Commission.
2. That the Company's present authorized rate of return on rate base of 8.61% is insufficient to provide the Company an opportunity to earn a fair return on its rate base.
3. That the Commission Staff conducted an audit showing that the Company's rate of return on rate base was greater than that previously authorized by the Commission.
4. That in response to Staff's audit report, the Company

stated that it would seek an authorized rate of return on rate base.

5. That the Company filed a Petition on July 25, 1990, with the Commission seeking an authorized rate of return on rate base.

6. That the Company alleges that a fair and reasonable rate of return which the Company should have the opportunity to earn on its South Carolina combined rate base devoted to the discharge of its public duties is in the range of 12.5% to 13.0%.

7. That the Company is seeking an increase in its authorized rate of return on rate base and that no adjustments in its rates and charges are being sought by the Company.

8. That the accounting and pro forma adjustments were made so that the Company's present earnings could be illustrated to the Commission, therefore, no determination need be made as to the appropriateness of the adjustments by the parties.

9. That the Commission will not make a determination as to the appropriate capital structure of the Company nor authorize a rate of return on equity.

10. That based upon the evidence, a fair and reasonable return on rate base for the Company is in the range of 12.5% to 13%.

11. That ongoing construction projects will lower the current earnings of the Company to a level within the approved range.

12. That this prescription of a authorized range for a rate of return on rate base will not affect the Company's present rates

and charges.

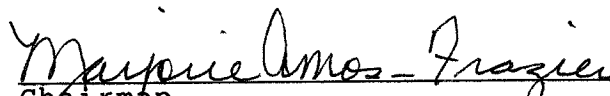
13. That a rate of return on rate base range of 12.5% to 13.0% will allow the Company to meet its statutory requirements to provide adequate, efficient, and reasonable service; to provide a return to the Company's owners commensurate with returns on investments in other enterprises with corresponding risks; and to assure confidence in the financial integrity of the Company.

IT IS THEREFORE ORDERED:

1. That Williston Telephone Company, Inc. is hereby granted the opportunity to earn an authorized rate of return in the range of 12.5% to 13.0% on its South Carolina combined rate base.

2. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)